

**Town Council Minutes
Morehead City, North Carolina**

**Tuesday, May 27, 2014 at 5:30 p.m.
Special Meeting/Budget Work Session**

The Honorable Council of the Town of Morehead City met in a Special Meeting/Budget Work Session on Tuesday, May 27, 2014, at 5:30 p.m., in the Council Chambers, Morehead City Municipal Building, 202 South 8th Street, Morehead City, North Carolina. The purpose of the Special Meeting was a presentation of the FY 2014/2015 Budget; discussions on the Space Needs Analysis Report; Employee Compensation Plan implementation and staffing priorities. Those in attendance were:

MAYOR: Gerald A. Jones, Jr.
MAYOR PRO TEM: George W. Ballou
COUNCIL: William F. Taylor

Demus L. Thompson
Harvey N. Walker
Diane C. Warrender

CITY MANAGER: David Whitlow

CITY CLERK: Jeanne M. Giblin

OTHERS: Jewel Lasater, Ellen Sewell, Jack Manley, Susan Nixon, David McCabe, Dykeman Bailey, Sandy Bell, Wrenn Johnson

I. Call to Order:

Mayor Jones called the meeting to order at 5:30 p.m.

II. Space Needs Analysis:

City Manager Whitlow announced that City staff needed direction from the Council regarding the options which were addressed in the Space Needs Analysis and Concept Designs Report dated March 28, 2014, as to which option would be preferred in order to start to work on a pathway toward either new construction or renovation. The options presented were:

- Add on to the current Municipal Building located at 202 South 8th Street.
- Use the Charles Wallace Building with these potential configurations:
 - Completely new building.
 - City staff occupying all of the first floor of the building with the second floor for rental.
 - City staff occupying part of the first floor and part of the second floor of the building with the eastern and western ends of the building for rental.
 - Removing some portion of the eastern and western ends of the building so that the building would be proportional to just the City needs.

Councilwoman Warrender commented that her preferred choice would be the first floor of the Charles Wallace Building being dedicated as City office space. She continued that she received many calls of emotional appeal for the historical aspects of the building.

Mayor Jones commented that he preferred using the Charles Wallace Building as the City would not need to acquire any new property and he agreed with the use of the first floor for City needs.

Councilman Thompson commented that it was his thought that the plans of the Council was to renovate the building and keep it intact. He did not understand why the auditorium part of the building needed to be demolished for construction of new Council Chambers.

Councilman Taylor commented that he did not want to see both ends of the building chopped off as one of the presented options. He envisioned more of a mixed-use facility, however, he was of the opinion that the letting of the second floor would have limited commercial value.

Mayor Jones commented that the City could occupy a half of the building, but use both stories.

Councilman Walker commented that the City is growing and he had concerns with limiting the space for City needs.

City Manager Whitlow reminded the Council that the Space Needs Analysis Report reviewed the use of the building by the City for the next 20 years.

Councilman Thompson commented that the use of the Charles Wallace building would open the City to all types of options for grant funding which could not be acquired with a new building.

Councilman Ballou was in agreement to use the Charles Wallace building option. He would agree to the use of just one wing or one floor for City needs. He was not in favor of any demolition of the building until all options for renovation were reviewed.

III. FY2014/2015 Budget:

As the proposed budget was just distributed at the meeting, City Manager Whitlow proposed focusing on the “big ticket” items in the proposed budget:

- Phase II of the Employee Compensation Plan Implementation.
- Additional Staffing.
- Capital Outlay.

III.A. Employee Compensation Study:

City Manager Whitlow recalled that the implementation of the significant recommendations for changes in employee compensation were too expensive to accomplish in one [1] single year. City staff derived a formula which spread the cost of implementation in a three [3] year period. Each individual salary was reviewed to determine if the salary was in range and a sliding scale was used to determine the necessary adjustment. A base salary adjustment and a longevity increase of 2/10 of 1 percent for each year of employment addressed the problems of compression. The FY2014/2015 Budget would contain the following in the Employee Compensation Plan:

- Base adjustment.
- Longevity increase.
- Personnel evaluation system percentage compensation.

City Manager Whitlow continued that it took approximately two [2] to three [3] hours for each employee evaluation and that the average increase was 1.56 percent across the entire employee base. The proposed FY2014/2015 budget includes the base adjustment, longevity and evaluation portions and allows for the implementation of the second phase of the Employee Compensation Plan. Throughout the budget wherever salaries are indicated, the Employee Compensation Plan has been taken into account. In the FY2014/2015 budget, the largest percentage of increase is to continue the implementation of the Employee Compensation Plan. The City's largest expenditure is personnel and if Town of Morehead City wishes to continue as a quality organization, quality employees are necessary.

The FY2014/2015 proposed expenditures is \$11,820,000; which is an increase of \$533,933 over the current year.

III.B. Additional Staffing:

City Manager Whitlow explained that Morehead City did not have the final agreement with Carteret County and the Wildwood Fire Department for combining the Wildwood Fire Department with Morehead City Fire/EMS Services. He explained that there are three [3] additional Fire/EMS positions included in the proposed budget, however, if the merger with the Wildwood Fire Department was achieved, Morehead City would not need to fill those positions because Morehead City would employ the nine [9] employees currently with the Wildwood Fire Department. Funding would come from Carteret County to pay for these personnel. Because of this possibility, the budget for Fire/EMS may change. The proposed budget is not predicated on the merger, however, if Wildwood were to merge the rate may be reduced.

City Manager Whitlow commented that prior to the implementation of the first phase of the Employee Compensation Plan, the attrition rate was 20 percent each year in the Fire/EMS Department. This year the attrition rate was zero. This demonstrates what bringing the salaries

up to par with other organizations does for employment stability. This stability can be seen City-wide and proves that the implementation of the Employee Compensation Plan is paying off.

City Manager Whitlow stated that the new positions recommended were:

- Assistant Public Works Director to be hired January 1, 2015.
- Additional Narcotics Detective to be hired January 1, 2015.
- Conversion of the Public Works/Public Utilities Administrative Assistant from part-time to full-time employment on July 1, 2014.
- Conversion of the Fire/EMS Administrative Assistant from part-time to full-time employment on July 1, 2014.
- Three [3] additional Firefighter/Paramedics to be hired October 1, 2014.

III.C. Capital Projects:

City Manager Whitlow listed the proposed capital projects for FY2014/2015:

- Improvements to the 10th Street Boat Ramp.
- Purchase of a new computer exchange server.
- Five [5] new police cars and equipment.
- Five [5] computers and printers for the Police Department.
- Updating the mapping software for the Planning Department.
- Sidewalk construction.
- Continuation of street projects in conjunction with the Powell Bill funding.
- Building structure assessment for the Webb Memorial Library.
- Renovation of the men's restroom in the gym section of the Recreation Building at Fisher Street.
- Replacement of the Parks Department truck.
- Recommendation for new or additional playground equipment for various parks around the City.

III.D. Taxation

City Manager Whitlow stated that a three [3] cent tax increase would be necessary to fund the proposed budget. The expenditures for the capital projects would be derived from the Unassigned/Undesignated Fund Balance. This would equate to moving \$933,950 from the Unassigned/Undesignated Fund Balance.

Mayor Jones commented that before becoming concerned about using money from the Unassigned Fund Balance, he would prefer to know how much money the City would move into the Unassigned/Undesignated Fund Balance from money left over from the FY2013/2014 Budget.

Finance Director Sewell commented that she is working on securing that figure for the year end Unassigned/Undesignated Fund Balance.

City Manager Whitlow stated that a one [1] cent tax increase equaled \$190,000 in revenues. He commented that the largest expenditures in the General Fund were for Police services at approximately 30 percent; followed by Fire/EMS Services at approximately 20 percent. Personnel costs are \$5,647,000, which is approximately 50 percent of total expenditures. He continued that this budget is a slight variation from FY2013/2014. This is the fourth year that health insurance costs have been decreased and he applauded the staff for living within the budget means.

City Manager Whitlow advised that the Council needed to start figuring in life cycle costs, i.e., the elevator at the Webb Memorial Library, the Marlin Fountain on the Jib Site and the increased use of all City facilities. He commented that the proposed FY2014/2015 budget recommended only the projects which the City must do. There are no new facilities being recommended.

Councilman Ballou commented he would like to know the figure in the Unassigned/Undesignated Fund Balance. When the Employee Compensation Plan was first introduced, Councilman Ballou stated he figured the City was looking at a three [3] percent tax increase for three [3] years. He further stated that the Council has always tried to maintain at least \$2 million in the Unassigned/Undesignated Fund Balance. He commented that in order to

cut the tax rate increase, it would mean having to go against the implementation of the Employee Compensation Plan.

Councilman Walker commented that the Council made a commitment to promise to take care of the City employees.

Councilman Thompson noted that many municipalities are increasing user fees and he asked the City Manager to explore that option.

City Manager Whitlow commented that the present Morehead City tax rate is 31.5 cents per \$100 of assessed evaluation. He further commented that the requested expenditures of \$12.8 million have already been reduced by \$1 million.

By consensus, the Council agreed to start the *Special Meeting/Budget Work Session set for Monday, June 2, 2014, at 4:30 p.m. in the Municipal Chambers located at 202 South 8th Street.*

IV. Adjournment:

There being no further business, the meeting was adjourned at 6:50 p.m.

Gerald A. Jones, Jr., Mayor

Attest:

Jeanne M. Giblin, City Clerk